GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2051
ANSWERED ON:11.08.2006
ELIGIBILITY FOR SUBSIDY
Barad Shri Jashubhai Dhanabhai

Will the Minister of FINANCE be pleased to state:

(a) Whether Government have set up any criterion and institutional mechanism to identify the priority sections eligible for subsidies;

(b) If so, the details thereof;

(c) Whether the benefits of subsidies have gone to non-priority sections;

(d) If so, the extra expenditure incurred on that account;

(e) Whether Government proposes to rationalise the subsidy regime to reduce the subsidy bill; and

(f) If so, the main elements thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The National Common Minimum Programme (NCMP) mandates the Government to target all subsidies to the poor and truly needy sections of the society. In pursuance of this mandate, Government has submitted a report on subsidies to the Parliament. This Report was discussed in a meeting of the Consultative Committee of the Ministry of Finance on February 8, 2005. Based on wider discussions with stakeholders and after due consultations, a policy on targeting subsidies, mainly explicit subsides on food, fertiliser and petroleum, would be evolved.

(c) & (d): While food subsidies are designed to be targeted to people below the poverty line, the other two subsidies, namely, fertiliser and petroleum are universal subsidies available to all consumers. Many reviews and evaluation studies have pointed out that even in the case of food subsidies, benefits have accrued to the non-needy sections as well, apart from illegal diversion of food grains to the market. Government has not quantified the extra expenditure on account of such diversion as much of these are clandestine activities and any estimate would be somewhat subjective.

(e) & (f): Providing minimum consumption entitlements to the poor by subsidizing the essential items consumed by them is an extremely important welfare dimension. Subsidies can correct the underconsumption of goods with positive externalities. While the Government is committed to fulfilling its welfare obligation, the present efforts are directed at ensuring that the benefits of subsidies are maximized by making them transparent, well-designed and targeted.